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FPL Energy National Wind, LLC

This pre-sale report is based on information provided to Moody's as of FEBRUARY 14, 2005. Final ratings on the transaction may differ from the provisional ratings, based on subsequent changes in information. Moody's will disseminate any subsequent changes through its ratings desk.

Rating Rationale

Moody's Investors Service assigned a Baa3 rating to FPL Energy National Wind, LLC's (FPL National Wind) proposed issuance of $351 million senior secured bonds due March 10, 2024, and assigned a Ba2 rating to the $100 million of senior secured bonds due March 25, 2019 to be issued by FPL National Wind's indirect parent, FPL Energy National Wind Portfolio, LLC (National Wind Portfolio). The rating outlook for FPL National Wind and National Wind Portfolio is stable.

FPL National Wind's Baa3 rating and National Wind Portfolio's Ba2 rating are predicated upon Moody's review of final documentation and debt sizing to meet the projected base case Debt Service Coverage Ratio (DSCR) at FPL National Wind and the projected consolidated base case DSCR at National Wind Portfolio.

The Baa3 rating for FPL National Wind reflects the relatively predictable cash flows expected to be generated from a portfolio of 361 wind turbines spread out over five diverse wind regions, the Northeast, the Great Plains, the Upper Midwest, the Rocky Mountains, and the Pacific Northwest. The rating incorporates the solid investment grade average rating for the portfolio of power off-takers, all of which have signed long-term power purchase agreements (PPA's) with the individual PPAs having remaining maturities of approximately 18 to 24 years (with the exception of one PPA with approximately 14 years of remaining maturity). The project's contracted cash flows are anticipated to generate healthy cash flow, with base case coverages at FPL National Wind of 1.83x (average) and 1.70x (minimum) and consolidated base case coverages of 1.33x (average) and 1.30x (minimum) when factoring in the $100 million of debt at National Wind Portfolio.

The rating considers the involvement of FPL Group, Inc. (FPL: A2 Issuer rating; stable outlook), which has substantial experience in wind energy. FPL has collectively invested more than $3.0 billion in US wind generating assets, and owns 2,758 mws (net ownership) of wind generation, representing about 41% of the country's installed wind capacity. Additionally, FPL Group Capital Inc. (FPL Group Capital: A2 senior unsecured; stable outlook) will guarantee the project's receipt of Production Tax Credits (PTC) over the remaining life of the tax benefit. PTC payments, which are equal to 1.8 cents/kWh, represent about 38% of FPL National Wind's projected annual cash flow through 2013 and about 21% of the project's total cash flow over the life of the FPL National Wind bonds. Importantly, FPL Group Capital is obligated to make these payments regardless of the corporation's tax position and irrespective of any change in tax law that could affect the availability of PTC's on a historical or prospective basis.

While most of FPL National Wind's projects have limited operating history that ranges from one to two years, operating risk is expected to be relatively low. FPL Energy, Inc (FPL Energy), the parent of both issuers, plans to operate the entire portfolio by year-end 2005, taking over from subsidiaries of General Electric (GE) and Vestas, who currently act as subcontractors at six of the portfolio's newest projects. FPL Energy has a demonstrated track record of strong operating performance and has gained considerable experience as the operator for nearly all of its sizeable wind fleet. Moreover, to the extent that poor operating performance surfaces at a particular site, the impact on the portfolio is likely to be modest given the number of turbines (361) in the portfolio and the modest cost for most turbine repairs.

The rating also considers the wind assessment risk, which Moody's believes is among the most significant risks with this technology. While each of the PPA's requires that the utility take and pay for the output produced, FPL National Wind is only paid the kWh tariff and the PTC when energy is produced and sold (i.e., when the wind blows). The wind consultant's report indicates that the sites chosen in the portfolio have historically exhibited a relatively consistent degree of wind. Moody's notes that the historical operating history through year-end 2004 for FPL National Wind seems to validate this view as historical volumes are generally in line with the wind consultant's projected base case. Moody's also recognizes the low degree of wind correlation among the five regions, which helps to further mitigate the wind assessment risk to some degree. Wind volumes on a monthly or daily basis may produce material fluctuations. However, wind volumes on a year over year basis generally change more moderately. Historical data suggests that average wind speeds might be expected to fluctuate about 4 to 6% annually, which should result in reasonably consistent wind volumes and revenues.

Although there is substantial diversity in the portfolio, about 22% of the expected cash flows over the life of the bonds (through 2024) come from one project, FPL Energy Wyoming, LLC (FPL Wyoming). Additionally, FPL Wyoming may be exposed to the greatest near-term technological risk due to its use of a fairly new turbine, which has experienced some teething problems during its first full year of operation. While the assigned rating considers this concentration risk, FPL National Wind's underlying financial performance will be considerably affected by this site's future operating performance.

The rating also incorporates other technological and operating risks that exist in the portfolio. While there have been numerous advances in wind technology, Moody's has some concerns over the long-term operating effectiveness of the fleet given the limited number of operational hours that exists for most of the portfolio. A related risk is the fact that most of the major wind turbine manufacturers, other than GE, have relatively weak balance sheets, and it can not be assured that support and parts will be available from these manufacturers for the full 19 years that the bonds are outstanding. However, the cost to retrofit a turbine remains fairly modest, many of the parts associated with the turbines are under warranty, and the project will have a replenishable $15 million operating reserve that could be used for unexpected needs. FPL National Wind will also have a major maintenance reserve that will ultimately be funded up to $3.5 million.

The Ba2 rating for National Wind Portfolio incorporates the degree of structural subordination that exists at the National Wind Portfolio level relative to the debt issued at FPL National Wind. The holding company's sole source of cash flow for debt service is distributions paid by FPL National Wind from excess cash after FPL National Wind's semi-annual debt service is fully satisfied and various accounts are fully funded. FPL National Wind's payment of distributions is also subject to compliance with a restricted payments test in the FPL National Wind indenture which can trap cash at the FPL National Wind level if the historical and prospective annual debt service coverage ratio at FPL National Wind is below 1.25x. The Ba2 rating also incorporates the increase in consolidated leverage when factoring in the $100 million of holding company debt as the consolidated DSCR at National Wind Portfolio is estimated to average 1.33x over the life of the holding company transaction with a minimum DSCR of 1.30x. (See additional discussion under Documentation and Liquidity Assessment).

The rating outlook for FPL National Wind and National Wind Portfolio is stable, reflecting the anticipated predictability of cash flow, the project's geographic and operating diversification, FPL's considerable involvement, and the structural enhancements that support the underlying ratings. An upgrade of the ratings would be unlikely in the near term, given the limited operating history of the portfolio. An upgrade could occur over the longer term if year-over-year wind volumes prove to have lower than expected volatility and this also results in consistent and robust DSCRs. Conversely, the ratings could be downgraded if the credit quality of the off-taker pool or FPL Group Capital were to deteriorate; if the operating performance of the projects, particularly the FPL Wyoming project, were to substantially decline; or if the wind volumes throughout the portfolio were materially lower than forecasted on a consistent basis, resulting in substantially lower than expected cash flow and DSCRs.

Strengths and Weaknesses

STRENGTHS

- Relative predictability of expected cash flow from a portfolio of wind power projects with PPAs that are with investment grade investor-owned, municipal, and cooperative utilities;
- Receipt of PTC's from FPL Group Capital is expected to represent approximately 21% of the project's total revenues over the life of the FPL National Wind bonds and 38% through 2013, the year that the PTC's expire;
- Diversity of cash flows sourced from 361 wind turbines at 9 different wind farms, with PPA's from 8 different off-takers located across 5 independent wind regimes, helps to mitigate the risk of wind variability;
- Wind generation investments continue to be a strategic business for FPL, which manages these investments through its wholly-owned subsidiary, FPL Energy;
- Projected DSCRs are appropriate for the rating category and the nature of the project. The base case DSCR for FPL National Wind is expected to average 1.83x with a minimum DSCR of 1.70x. The consolidated DSCR, which incorporates the $100 million of parent company debt at National Wind Portfolio, is expected to be 1.33x on average, with a minimum annual coverage of 1.30x;
- The independent engineer expects the FPL National Wind fleet to achieve availability levels of 97% over the life of the bonds;
- FPL Energy has a strong track record in operating wind projects. Operational risk is further mitigated by warranty programs with the wind manufacturers and the existence of reserves for operations and maintenance and major maintenance;
- Wind generation has become an important resource for electric generation in the US. Due to the environmental benefits, tax benefits and regulatory mandates provide strong support for its continued development;
- Fairly tight documentation, a strong collateral package, and a debt service reserve initially sized at 12 months provide significant downside protection for bondholders; and
- The capital structure is reasonably conservative for transactions of this type, as debt is expected to represent about 65% of total capital at FPL National Wind and consolidated debt is expected to represent about 83% of total capital at National Wind Portfolio.

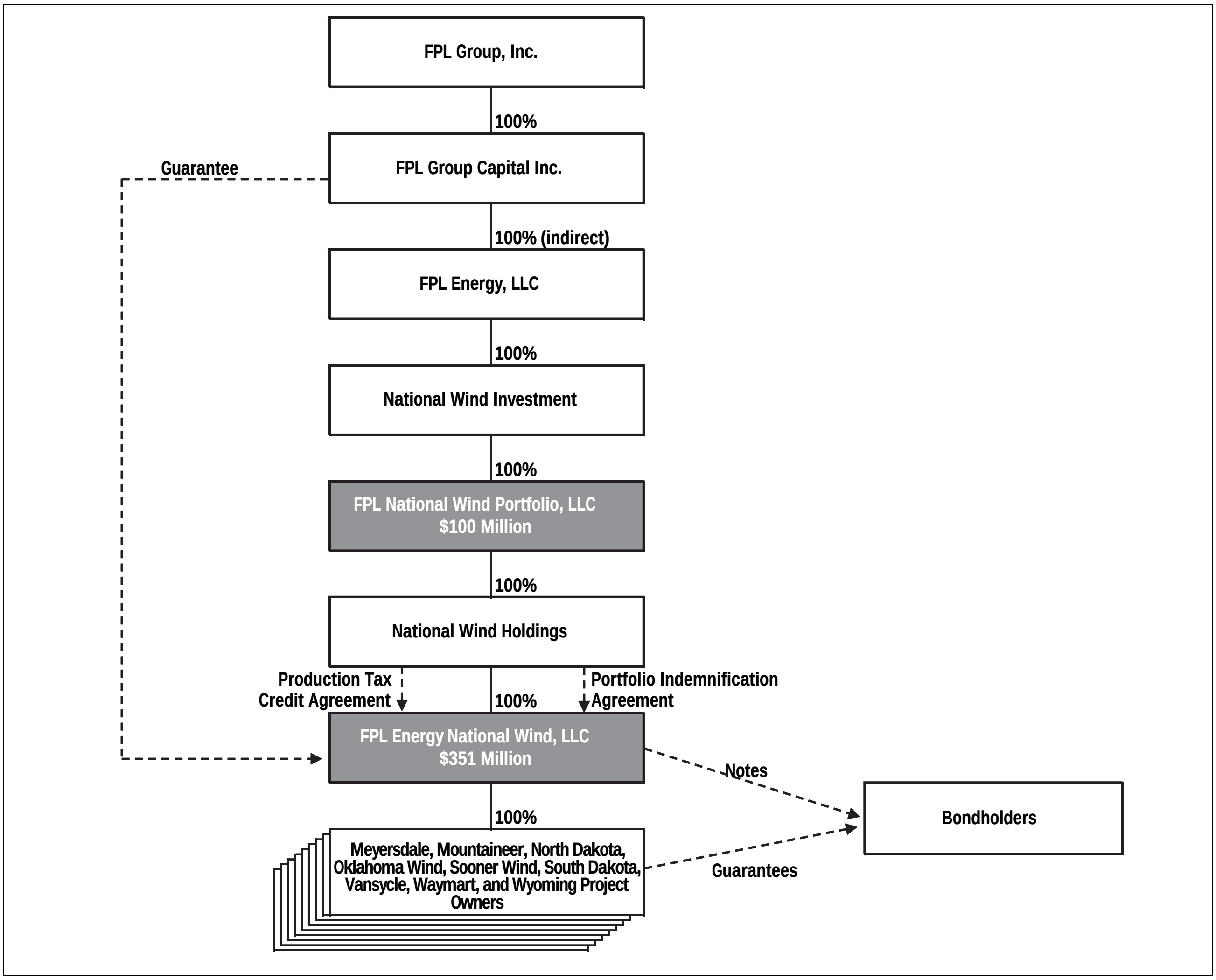
WEAKNESSES

- Cash flows are totally dependent upon the frequency and variability of wind, as the off-takers' obligation to pay under their respective PPA's and FPL Group Capital's obligation to reimburse the issuer for PTC's only occur when electric energy is produced and sold;
- Given the dependency on wind volumes as the sole source of revenues and the regular requirement for ongoing maintenance of the existing fleet, the project may experience more volatility in its year-to-year cash flows and resulting DSCR relative to contracted power projects that rely upon other forms of generation;
- While substantial diversity exists from a wind regime perspective, about 22% of FPL National Wind's annual cash flow comes from one project, FPL Wyoming, over the life of the bonds;
- Most of the projects remain exposed to differing degrees of curtailment risk. While Moody's believes that curtailment risk is relatively modest for this portfolio, curtailment risk could increase in certain regions given the challenges of adding to the country's transmission grid;
- While all of the units have an operating history of at least one year, availability and capacity factors at a number of plants were negatively impacted during 2004 by the severe cold weather in some cases or by teething problems that tend to occur in the early years of operation. Many of these early year operating problems are covered under warranty with the wind manufacturers;
- A number of the projects have minimum output and availability requirements. While the independent engineer believes that these requirements should be easily satisfied, a failure to meet these requirements could impact the viability of the respective PPA;
- Aside from GE, whose subsidiary manufactures about 50.3% of the turbines owned by FPL National Wind, the remaining wind manufacturers are experiencing varying degrees of financial challenges; and
- Two of the projects, the Meyersdale Windpower, LLC and FPL Wyoming, have PPA's with unrated affiliates of investment grade utilities. Payments under their respective PPAs are guaranteed by the utility's parent company, subject to an aggregate liability limit. Revenues provided from PPA's with guarantees with aggregate liability limits represent about 27% of FPL National Wind's expected total cash flows.

Issuer Description

FPL Energy National Wind, LLC (FPL National Wind) is a Delaware limited liability company formed in February 2005 solely for the purpose of financing a 533.6 megawatt portfolio of nine wind power generating projects, located in Pennsylvania, West Virginia, North Dakota, South Dakota, Wyoming, Oklahoma, and Oregon. All of the power generated by the projects is sold pursuant to long-term fixed-price PPAs with, or guaranteed by, utilities, municipalities or cooperatives. Each project is owned by a separate entity (Project Owner). Each of the Project Owners guarantees the repayment of the bonds on a joint and several basis.

FPL Energy National Wind Portfolio, LLC (National Wind Portfolio) is the holding company which indirectly owns FPL National Wind. It was formed solely for the issuance of intermediate holding company debt.



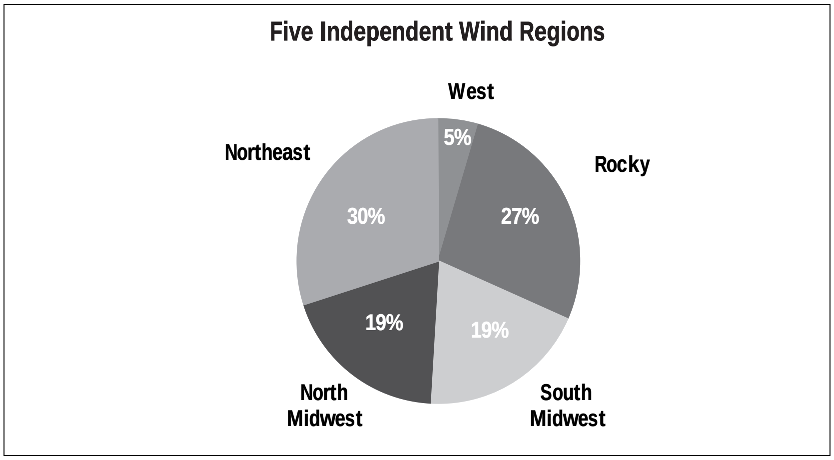
Use of Proceeds and Expected Capital Structure

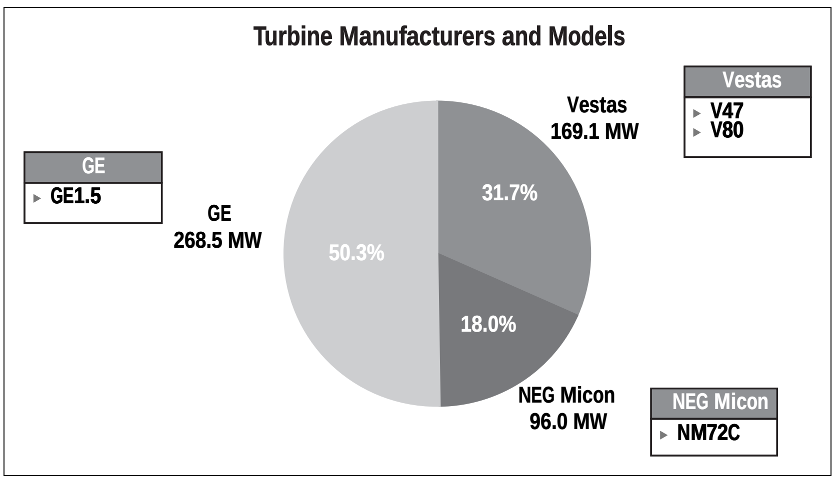
Proceeds from the two offerings, which aggregate $451 million, will be used to pay related transaction expenses, fund required reserves and return about $444 million of capital to FPL Energy, the indirect parent of both issuers. FPL Energy originally funded the development and construction of this 533.6 mw portfolio of 9 wind power generating projects at a cost of around $560 million.

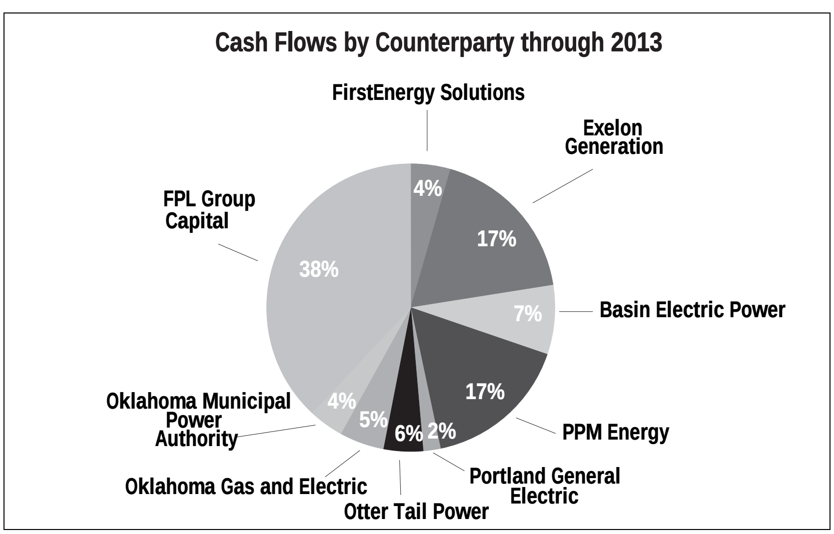
Upon the completion of the financing and the application of net proceeds, total debt at FPL National Wind will be about 65% of total capital at FPL National Wind, while total consolidated debt at National Wind Portfolio will be about 83% of total consolidated capital. Moody's notes FPL Group Capital's payment of PTC's to FPL National Wind represents ongoing capital contributions.

Portfolio Diversity

The three charts below depict elements of portfolio diversity: independence of wind regimes, different turbine manufacturers, and models numerous power purchasers.







Project Owners

See Appendices A&B at the end of the report. Appendix A provides an overview of the portfolio and Appendix B details the terms of the contracts.

THE WYOMING PROJECT

The Wyoming Project (FPL Wyoming) is a 144 mw wind-powered electric generating facility consisting of 80 Vestas V80-1.8 mw turbines located in Uinta County, Wyoming. FPL Wyoming commenced commercial operations on December 19, 2003. The net capacity factor of the FPL Wyoming was 29.1% and the average availability factor was 96.37% for 2004.

The project is required to sell and PPM Energy Inc. (PPM) is required to purchase 100% of the project's electric output under a 25 year PPA ending in 2029. PPM is obligated to compensate the project for the energy payment based upon the contracted energy rate which ranges from 3.331 cents/kWh to 5.878 cents/kWh. Should the project generate electricity in excess of its expected output (up to 110% of its expected production), PPM is obligated to pay FPL Wyoming for this excess output at a modestly reduced rate. PPM's obligations under the PPA are backed by a guarantee from its indirect parent PacifiCorp Holdings, Inc. (PHI), subject to an aggregate liability limit of $96 million. The amount of the guarantee does not change over the life of the PPA. Moody's rates the senior unsecured debt of PacifiCorp, a subsidiary of PHI, at Baa1. The project's obligations under the PPA are supported by a $48 million guarantee from FPL Group Capital.

The project must maintain mechanical availability ranging from 93% to 95% during the term of the PPA. Liquidated damages will be paid for the failure to achieve these guaranteed levels. The project's potential liability for mechanical availability damages is initially capped at $9.6 million, increasing to approximately $15.6 million by the end of the term of the PPA.

If FPL Wyoming is curtailed, PPM is obligated to pay FPL Wyoming damages equal to the energy payment that would have been received plus the dollar value of the applicable PTC's and other wind energy incentives lost in all cases, except during force majeure.

Commencing on December 31st of the 15th year of the PPA, PPM can terminate the PPA for convenience upon the payment of a termination fee based on a declining schedule. In all cases, the size of the termination payment is sufficient to repay the remaining debt at FPL National Wind.

THE MOUNTAINEER PROJECT

Backbone Mountain Windpower LLC (the Mountaineer Project) is a 66 mw wind powered electricity generation facility located in Tucker and Preston Counties, WV. The project consists of 44 NEG Micon NM72C/1500 wind turbines. The project commenced commercial operations on December 20, 2002. In 2004, it achieved an availability factor of 93.84% and a net capacity factor of 29.7%.

The project sells 100% of its electric output to Exelon Generation Company, LLC (Exelon; Baa1, senior unsecured) under a 20-year PPA ending in 2022. In the event that Exelon's issuer credit rating falls below investment grade, Exelon needs to provide a guarantee from an investment-grade rated entity. Exelon pays between 4.150 cents/kWh- 4.659 cents/kWh to the project during the term of the PPA.

The project is required to meet both a one year output requirement and a five year average energy requirement. The project will be subject to damage/bonus payments for failure/success in meeting either requirement. Such damage payments are capped at $150,000 per year or $450,000 for any five year period.

THE WAYMART PROJECT

Waymart Wind Farm L.P. (Waymart) is a 64.5 mw wind-powered electric generating facility consisting of 43 GE 1.5 wind turbines located in Wayne County, Pennsylvania. Waymart reached commercial operation on October 20, 2003. The project achieved an availability factor of 96.86% and a net capacity factor of 28.7% in 2004.

Waymart is required to sell 100% of its electrical output under a 20-year PPA with Exelon ending in 2023. Prices paid under the PPA start at 3.848 cents/kWh in 2005 which escalate to 6.000 cents/kWh in 2023. The project has to meet a one-year energy delivery requirement and a five-year average energy delivery requirement. Failure to meet these delivery requirements will subject the project to a reduction in the price paid for electricity.

If Exelon is no longer rated investment grade, Exelon would be required to provide either (i) an unconditional guarantee from an investment grade rated entity, (ii) a letter of credit in the amount of $20 million, or (iii) acceptable credit support to the project.

The Waymart project has an interconnection agreement in place with PPL Electric Utilities Corporation and PJM Interconnection L.L.C. A potential transmission issue could arise at Waymart during certain times of its operation, as it is limited to 45mws when it is connected to the East Carbondale-Peckville 69kV circuit. During 2004, the plant experienced curtailment of 177 MWh, less than 1% of the total energy production for 2004.

THE MEYERSDALE PROJECT

Meyersdale Windpower, LLC (Meyersdale) is a 30 mw wind-powered electric generating facility consisting of 20 NEG Micon NM 72C/1500 wind turbines located in Somerset County, Pennsylvania. The project entered commercial operation on December 14, 2003. It had a 96.01% average availability factor and a 32.8% net capacity factor in 2004.

Meyersdale is required to sell 100% of its energy output to First Energy Solutions Corp. (FESC) under a 20-year PPA ending in 2023, at a price of 3.96 cents/kWh. FESC's obligations under the PPA are supported by a guaranty from FirstEnergy Corp. (Baa3, senior unsecured) not to exceed $1.85 million. In the event that the senior unsecured debt of FirstEnergy Corp. is no longer rated investment grade by Moody's or the other two rating agencies, the guarantee must be replaced by a letter of credit not to exceed $5.6 million.

The PPA stipulates a one year energy delivery requirement as well as a five year average energy delivery requirement. Failure to meet these requirements will result in liquidated damage payments which are capped at $50,000 per year or $200,000 for any five year period.

NORTH DAKOTA PROJECT

The North Dakota project is a 61.5 mw power generating facility, consisting of 41 GE 1.5 wind turbine located in LaMoure County, North Dakota. The project achieved commercial operation on October 1, 2003. The average availability factor was 97.14% and net capacity factor was 39.4% in 2004.

Unlike the other projects in the FPL National Wind portfolio, the North Dakota project has two distinct owners: North Dakota I and North Dakota II. Each owner has entered into its own PPA with different off-takers.

North Dakota I has entered into a PPA with Basin Electric Power Cooperative (Basin Electric, A2 senior unsecured, stable outlook) for a term of 25 years ending in 2028. Under the agreement, Basin Electric is obligated to purchase and the project is required to sell 100% of the energy output from North Dakota I, not to exceed 40 mws, at a price that is 1.870 cents/kWh in 2005 which escalates to 2.617 cents/kWh in 2028.

If Basin Electric fails to accept energy deliveries for any reason other than a force majeure event and North Dakota I is unable to find another off-taker to purchase Basin Electric's power, Basin Electric is obligated to compensate North Dakota I for all of the energy plus the cost of the foregone tax credits.

Basin Electric has the option between January 1, 2014 and March 1, 2014, to purchase North Dakota I for an amount equal to the net present value of the expected net revenues of the project, which amount will not be less than $12 million.

North Dakota II has entered into a 25-year PPA with Otter Tail Power Company (Otter Tail, A2 senior unsecured, stable outlook). Under the agreement, Otter Tail is obligated to purchase all the of the energy output from North Dakota II at a contract energy price of 2.990 cents/kWh over the entire term of the PPA.

If Otter Tail fails to accept energy deliveries for any reason other than a force majeure event and North Dakota II is unable to find another off-taker to purchase Otter Tail's power, Otter Tail would be required to pay North Dakota II for all of the energy plus the cost of the foregone tax credits.

SOUTH DAKOTA PROJECT

FPL Energy South Dakota Wind, LLC (South Dakota) is a 40.5 mw electricity generating facility, consisting of 27 GE 1.5 wind turbines located in Hyde County, South Dakota. The project achieved commercial operation on October 1, 2003. The average availability factor was 96.85% and the net capacity factor was 43.4% in 2004.

South Dakota has a 25-year PPA with Basin Electric ending in 2028. Under the agreement, Basin Electric is obligated to purchase 100% of the energy output from South Dakota, not to exceed 40 mws at a contract price that starts at 2.081 cents/kWh in 2005 and escalates to 2.800 cents/kWh in 2028.

If Basin Electric fails to accept energy deliveries for any reason other than a force majeure event and South Dakota is unable to find another off-taker to purchase Basin Electric's power, Basin Electric would be required to pay South Dakota for all of the energy plus the cost of the foregone tax credits.

The PPA also includes a purchase option agreement, whereby Basin Electric has the option exercisable between January 1, 2014 and March 1, 2014, to purchase South Dakota for an amount equal to the net present value of the expected net revenues of the project, which amount will not be less than $12 million.

THE VANSYCLE PROJECT

ESI Vansycle Partners, L.P. (Vansycle) consists of 38 Vestas V47 wind turbines with a net capacity of 25.1 mw located in Umatilla County, OR. It was put into commercial operation on November 6, 1998. The average availability factor was 98.09% and the net capacity factor was 33.6% in 2004. The average availability factor for the last six years has been 97%.

The Vansycle Project has a 30-year PPA , ending in 2028, with Portland General Electric Company (Baa3, senior unsecured rating) for 100% of the output of the project. The purchase price is 4.080 cents/kWh in January 1993 dollars which escalates based on a defined index until 2028. As of January 1, 2004, the price paid by Portland General Electric Company was 4.981 cents/kWh. The rate applies for all energy up to 75.211 GWh per annum when averaged over a three year period. For any energy in excess of 75.211 GWh, the electric rate is at the utility's average avoided cost for the same three year period.

THE OKLAHOMA WIND PROJECT

FPL Energy Oklahoma Wind, LLC (Oklahoma Wind) is located in Woodward and Harper Counties, Oklahoma. The project consists of 34 GE 1.5 wind turbines with a total installed capacity of 51 mw. It achieved commercial operation on September 30, 2003. During 2004, Oklahoma Wind achieved 98.27% availability and a capacity factor of 36.4%.

Oklahoma Wind sells 100% of energy output to the Oklahoma Municipal Power Authority (OMPA, A2 Power Supply Revenue Bonds) under a 25-year PPA ending in 2028. During the first five years of the PPA (until 2008), the on-peak energy price is 2.360 cents/kWh. Thereafter, the on-peak energy price is the greater of 2.360 cents/kWh or 90% of OMPA's hourly avoided cost, but not to exceed 2.80 cents/kWh. The off-peak energy price is 1.20 cents/kWh.

Unless there is a force majeure, OMPA is obligated to pay for all of the energy produced by Oklahoma Wind, even if OMPA does not take delivery. If OMPA does not take delivery and the project is unable to sell power, OMPA is required to pay the dollar value of the applicable PTCs for the MWh not sold.

THE SOONER WIND PROJECT

FPL Energy Sooner Wind, LLC (Sooner Wind) is located in Woodward and Harper Counties, Oklahoma. Sooner Wind consists of 34 GE 1.5 wind turbines with a total installed capacity of 51 mw. It achieved commercial operation on September 30, 2003. During 2004, Sooner Wind achieved a 97.66% availability and a 38.3% net capacity factor.

Sooner Wind sells the energy output to Oklahoma Gas and Electric Company (OG&E, A2 senior unsecured) under a 15-year PPA ending in 2018. The energy price is 2.468 cents/kWh, for delivery not exceeding 50 MWh per hour (Maximum Hourly Contract Quantity), with a minimum delivery of 125 GWh per year. Any deliveries in excess of the Maximum Hourly Contract Quantity are at zero cost to OG&E. In the event that Sooner Wind fails to meet minimum delivery requirements in any 12 month period, energy price is lowered to 1.851 cents/kWh. Such price reduction over the term of the PPA is capped at $2.5 million.

In the event that the commercial availability is less than 75% for two consecutive years, OG&E has the right to terminate the PPA.

If OG&E fails to take delivery of energy that Sooner Wind was capable of delivering, for any reason besides force majeure, OG&E is obligated to pay Sooner Wind all damages and losses experienced including PTCs and all other credits available to Sooner Wind.

If OG&E's unsecured rating falls below investment grade, OG&E is required to provide within 30 days an unconditional guaranty from a corporate entity whose senior unsecured debt is rated at least Baa2 by Moody's or an equivalent rating, or obtain a letter of credit in an amount equal to 12 months of payments under the PPA, as reasonably estimated by Sooner Wind.

Rating Assessment of FPL Group and Relevant Subsidiaries

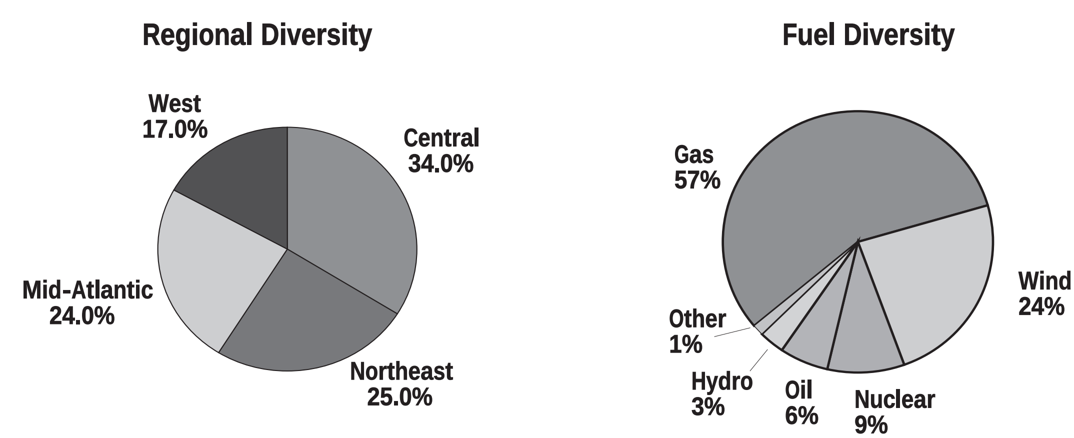
FPL GROUP CAPITAL

FPL Group Capital, a wholly-owned subsidiary of FPL, holds the capital stock and provides funding for FPL's operating subsidiaries other than its regulated utility subsidiary Florida Power & Light Company (Aa3 senior secured; stable outlook). FPL Group Capital's A2 rating reflects the support of FPL, which unconditionally guarantees all debt and contingent obligations of FPL Group Capital, including the obligations under the Production Tax Credit Agreement (PTC Agreement) that may arise between FPL Group Capital and National Wind Holdings, the parent of FPL National Wind. See additional discussion of PTC Agreement in the next section of this report.

The A2 ratings and stable outlook for both FPL Group and FPL Group Capital reflect the completion of a large buildout of FPL Energy's unregulated generation portfolio, diversity in terms of geography and fuel source, the modest amount of cash flow that has begun to be generated from the portfolio, and the relatively high percentage of the portfolio that is under contract (78% for 2005).

FPL ENERGY

FPL Energy was formed in 1998 to aggregate FPL's existing unregulated energy operations. FPL Energy owns, develops, constructs, manages, and operates domestic electric generating facilities in the wholesale energy markets. As of December 31, 2004, FPL Energy had net generating capability totaling 11,520 mw. Future growth of the FPL Energy portfolio is expected to be limited to wind energy projects, although FPL Energy is in a position to acquire other generating plants if appropriate opportunities arise. 241 mws of new wind generation have already been announced and with the extension of tax credits through 2005, the amount invested in wind energy could increase. FPL Energy's capacity is diversified both geographically and by fuel source, as shown below. As of December 31, 2004 approximately 24.7% of the company's generating capacity was located in the Northeast, 34.4% in the Central U.S., 17.0% in the West, and 23.9% in the Mid-Atlantic. FPL Energy's fuel portfolio consists of 57% natural gas, 24% wind, 9% nuclear, 6% oil, 3% hydro, and 1% other.



FPL Energy is the largest generator of wind energy in the U.S. with ownership interests in 43 wind facilities operating in 15 states, accounting for 41% of the country's total wind energy capacity. FPL Energy owns and operates about half of all new U.S. wind generation facilities built in the last three years. During 2003, FPL Energy added 14 wind projects to its portfolio totaling approximately 975 mw. As of December 31, 2004, FPL Energy's wind portfolio totaled 2,746 mw, well above that of any other domestic competitor. The FPL portfolio includes two of the largest wind energy facilities in the world, the 281 mw King Mountain project in Texas and the 300 mw Stateline project on the Washington/Oregon border.

The expiration of PTCs in December 2003 stopped the expansion of FPL's wind portfolio in 2004. The tax credits were re-established in legislation passed by Congress in September and signed by President Bush in October of 2004. As a result, FPL plans to add up to 400 mw of wind capacity to take advantage of the renewed PTCs before they expire again in December 2005.

Moody's views FPL Energy's wind energy portfolio as having a slightly positive effect on the overall credit quality of FPL Group Capital given the contracted nature of the wind portfolio, which provides a more certain source of cash flow than more volatile and oversupplied market for conventional fossil-fueled merchant generation. The wind portfolio is well diversified geographically and FPL Energy derives significant benefits from the economies of scale only a relatively large developer can realize. Finally, because of the large and consistent taxable income generated by its strong utility subsidiary, Florida Power & Light Company, FPL is in a good position to derive maximum benefits from the tax credits generated by the wind portion of its portfolio.

Risk Elements

WIND VARIABILITY RISK

The wind assessment analysis remains the most challenging and most important aspect of understanding the cash flow expectations, since cash flows from both the PTCs and PPAs are generated only when the wind blows. The diversity of the five wind regimes and tendency for wind speeds to vary less over a longer-time frame help to mitigate this issue. Wind volumes on a monthly or daily basis may produce material fluctuations. However, wind volumes on a year over year basis generally change more moderately. On average, the wind consultant believes that wind speeds will vary annually in each of the regions by about 4.0% to 6.0%. Breakeven analyses demonstrate that wind speeds would have to decrease by more than 16% each year on a permanent basis across all five regions before cash flows would drop to levels insufficient to service debt at FPL National Wind. Given an expected wind-speed volatility range of 4-6%, this scenario appears to be relatively unlikely. As such, while wind speeds and subsequently cash flows will fluctuate within each region, there should not be a material decline in cash flows caused solely by wind speed variability.

In addition to the break-even analyses, Moody's evaluated other sensitivities relating to lower wind volumes, including the P95 case, which lowers wind volumes on average by about 7%, and the P90 case, which emulates a more severe one year drop in wind volumes. Moody's also examined scenarios in which some regions experienced a larger drop in wind speed while others matched expectations. The implied risk appears to be consistent with the Baa3 rating, reflecting the observation that wind speeds tend to vary on a year-to-year basis by 4 to 6% on average in a number of regions, the structural features that provide protection to bondholders in the event of a one or two year period of aberrant wind patterns, and the geographic diversity of the wind asset portfolio that makes correlation of abnormal patterns less likely to affect the entire portfolio.

CONCENTRATION RISK

While the project demonstrates numerous points of diversification, about 22% of the expected cash flow comes from the FPL Wyoming project over the life of the National Wind bonds (through 2024). As such, the performance of FPL National Wind and National Wind Portfolio is fairly dependent upon FPL Wyoming. For example, in the unlikely scenario that the cash flows from FPL Wyoming were no longer available, the DSCR at FPL National Wind would drop to around 1.20x in most years. Currently, FPL Wyoming exhibits a higher degree of operational uncertainty, as the project uses the newest Vestas turbines (V80). As a new turbine, there have been a certain amount of teething issues that the turbine has experienced at Wyoming and other US sites, which impacted the project's capacity factor during 2004. Notwithstanding these performance challenges, FPL Wyoming operated at a 96.37% availability factor for 2004, its first full year of operation. Moody's understands that there are three other large installations of the V80 in the US, all of which are located at sites owned by FPL Energy. The initial start-up issues faced by FPL Wyoming are partially mitigated by Vestas providing extended warranties on numerous turbine parts.

DOCUMENTATION & LIQUIDITY ASSESSMENT

The FPL National Wind transaction will have a fairly tight covenant and collateral package. The issuer is a funding company, without direct ownership of the physical assets. However, each of the individual projects will provide upstream guarantees of the debt at FPL National Wind on a joint and several basis. No debt is permitted at each of the projects, and additional debt is only permitted at the FPL National Wind level if the project maintains coverages consistent with the base case and its ratings are not affected. Distributions are permitted only if the annual DSCR is at least 1.25x prospectively and historically, the six month DSCR is at least 1.1x prospectively and historically, and all conditions in the waterfall are satisfied. Debt service payments will be on a semi-annual basis.

Initially, a 12-month debt service reserve will be provided, and it is likely to be provided by a letter of credit from an entity other than FPL National Wind or its immediate parent, National Wind Holdings. The debt service reserve could become a 6-month debt service reserve at any time after March 10, 2010, if all of the rating agencies affirm that such change will not result in FPL National Wind's debt being rated below Baa3 or an equivalent rating. Approxi-

mately 51% of the project's cash flows are generated in the winter months, while 49% are generated in the summer months. The semi-annual debt service payments will be sized to reflect this type of seasonality.

In the National Wind Portfolio transaction, bondholders will be secured by the pledge of National Wind Investments' ownership interest in National Wind Portfolio. Additionally, the indenture is structured to accommodate a scenario in which the debt at FPL National Wind is repaid prior to the final maturity date at National Wind Portfolio, the holding company. In this case, all of the pertinent terms and condition in the operating company indenture would survive for the benefit of the holding company bondholders, including the continued receipt of PTCs from FPL Group Capital, should a repayment occur prior to 2013.

Like FPL National Wind, there is a 12-month debt service reserve which is expected to be provided through a FPL Group Capital guarantee. Moody's views the existence of a 12-month debt service reserve at National Wind Portfolio as being an important rating factor, as it serves to partially mitigate some of the structural subordination risk caused by the existence of the restricted payments test in the FPL National Wind indenture as well as the wind assessment risk. However, like the operating company's indenture, the debt service reserve at National Wind Portfolio can be reduced to 6 months at any time after March 10, 2010, so long as all of the ratings at National Wind Portfolio remain unchanged from their existing rating. Distributions from National Wind Portfolio to FPL Energy are restricted unless the historical and prospective DSCR at National Wind Portfolio is at least 1.2x and the debt service payment account is fully funded at National Wind Portfolio. Importantly, an event of default at FPL National Wind, the operating company, would cause a cross default to the notes being issued at National Wind Portfolio. However, an event of default at National Wind Portfolio, the holding company, would not cause an event of default at FPL National Wind, the operating company.

PRODUCTION TAX CREDIT AGREEMENT (PTC AGREEMENT)

An important element of this transaction is FPL National Wind's receipt of PTCs, which represents about 21% of the project's total revenues over the life of the FPL National Wind bonds and 38% through 2013, the year that the PTC's expire. The payment of PTC's to FPL National Wind is governed by the terms of the PTC Agreement. Under this agreement, National Wind Holdings, the parent of FPL National Wind, is required to make semi-annual payments to FPL National Wind for power sold by each project beginning on the date that the bonds are issued and ending on the tenth anniversary of each project's in-service date (the PTC Period). The obligation of National Wind Holdings to make payments under the PTC Agreement for power produced by a project and sold to a third party during the applicable PTC Period is unconditionally guaranteed by FPL Group Capital and must be made regardless of:

- the eligibility of National Wind Holdings, FPL Group Capital, FPL or any of their affiliates for the PTCs under Section 45 of the Internal Revenue Code;
- the ability of National Wind Holdings, FPL Group Capital, FPL or any of their affiliates to utilize the PTCs generated by the projects;
- the eligibility of the projects for PTCs under Section 45 of the Internal Revenue Code; or
- any changes in federal, state or local tax laws regarding the PTCs.

Importantly, under the terms of the financing agreements which govern the waterfall of payments, FPL National Wind will be required to deposit all cash contributions received under the PTC Agreement into the revenue account. While the cash amount received from National Wind Holdings under the PTC Agreement will be treated as a capital contribution into FPL National Wind for accounting purposes, the cash amount received, payable semi-annually, will be paid at the top of waterfall pursuant to the financing agreements.

FINANCIAL MODEL ANALYSIS AND SENSITIVITY

As discussed earlier, the financial projections demonstrate fairly robust cash flows (average DSCR of 1.83x/minimum DSCR of 1.70x at FPL National Wind and average DSCR of 1.33x/Minimum of 1.30x at National Wind Portfolio on a consolidated basis). Given the dependency on wind volumes as the sole source of revenues and the regular requirement for ongoing maintenance of the existing fleet, the project may experience more volatility in its year-to-year cash flows and resulting DSCR relative to contracted power projects that rely upon other forms of generation. Moody's recognizes that wind volumes and resulting cash flows may vary at each individual project on a month to month or day to day basis, but wind variability across the portfolio over time should not materially change on a year to year basis. Outcomes for some of the sensitivities examined are detailed on the next page.

Summary of Base Case Cash Flow Projections & Sensitivity Cases	Opco	Holdco	Consolidated
Base Case(1)			
Average	1.83x	2.30x	1.33x
Minimum	1.70x	2.01x	1.30x
Decrease in availability to 90% for all Projects			
Average	1.68x	1.86x	1.22x
Minimum	1.57x	1.65x	1.19x
50% Increase in O&M Costs in Years 2013 to 2024			
Average	1.70x	2.04x	1.27x
Minimum	1.54x	1.66x	1.18x
Low Wind Case (2)			
Average	1.66x	1.80x	1.20x
Minimum	1.55x	1.60x	1.18x
Very Low Wind Case and Major Maintenance Activities in All Years (3)			
Average	1.63x	1.71x	1.18x
Minimum	1.52x	1.52x	1.16x

(1) Assumes P50 level of forecasted energy production.
(2) Assumes P95 (10-year average) level of forecasted energy production.
(3) Assumes P90 (1-year average) level of forecasted energy production.

Related Research

Analysis:

Florida Power & Light Company, October 2004 (89322)

Special Comment:

FPL Energy American Wind, LLC, June 2003 (78569)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix A

Project	Project Owner	Location	Commercial Operation Date	Average Availability (1)	Megawatt Capacity	Number of Turbines (Turbine Type)	Power Purchaser(s), Guarantors and Ratings (2)	Percentage Production Purchased and Expiration	Operator
Meyersdale Project	Meyersdale Windpower, LLC	Somerset County, PA	December 14, 2003	96.01%	30.0	20 (NEG Micon NM72C/ 1500)	First Energy Solutions Corp. First Energy Corp. (Guarantor) (7) Baa3	100% December 31, 2023	FPL Energy Operating Services
Mountaineer Project	Backbone Mountain Windpower LLC	Tucker and Preston Counties, WV	October 20, 2002	93.84%	66.0	44 (NEG Micon NM72C/ 1500)	Exelon Generation Company, LLC Baa1	100% December 31, 2022	FPL Energy Operating Services
North Dakota Project	FPL Energy North Dakota Wind, LLC FPL Energy North Dakota Wind II, LLC	LaMoure County, ND	October 1, 2003	97.14%	61.5	41 (GE 1.5)	Basin Electric Power Cooperative A2 Otter Tail Power Company A2	65.90% September 30, 2028 34.10% September 30, 2028	FPL Energy Operating Services (4)
Oklahoma Wind Project	FPL Energy Oklahoma Wind, LLC	Harper and Woodward Counties, OK	September 30, 2003	98.27%	51.0	34 (GE 1.5)	Oklahoma Municipal Power Authority A2 (3)	100% December 31, 2028	FPL Energy Operating Services (5)
Sooner Wind Project	FPL Energy Sooner Wind, LLC	Harper and Woodward Counties, OK	September 30, 2003	97.66%	51.0	34 (GE 1.5)	Oklahoma Gas and Electric Company A2	100% September 30, 2018	FPL Energy Operating Services (5)
South Dakota Project	FPL Energy South Dakota Wind, LLC	Hyde County, SD	October 1, 2003	96.85%	40.5	27 (GE 1.5)	Basin Electric Power Cooperative A2	100% September 30, 2028	FPL Energy Operating Services (4)
Vansycle Project	ESI Vansycle Partners, L.P.	Umatilla County, OR	November 6, 1998	98.09%	25.1	38 (Vestas V-47)	Portland General Electric Company Baa3	100% November 6, 2028	FPL Energy Operating Services
Waymart Project	Waymart Wind Farm L.P.	Wayne County, PA	October 20, 2003	96.86%	64.5	43 (GE 1.5)	Exelon Generation Company, LLC Baa1	100% October 31, 2023	FPL Energy Operating Services (4)
Wyoming Project	FPL Energy Wyoming LLC	Uinta County, WY	December 19, 2003	96.37%	144.0	80 (Vestas V-80)	PPM Energy, Inc. PacifiCorp Holdings, Inc. (Guarantor) (8)	100% January 1, 2029	FPL Energy Operating Services (6)
				Totals	**533.6 MW**	**361 turbines**			

(1)For the period beginning January 1, 2004 and ending December 31, 2004.
(2)Issuer rating and senior unsecured rating.
(3)Power supply system revenue refunding bond rating.
(4)Subcontracted with GE Wind Energy, LLC until November 2005.
(5)Subcontracted with GE Wind Energy, LLC until October 2005.
(6)Subcontracted with Vestas-American Wind Technology, Inc. until October 2005.
(7)Guaranty is limited to $1.85 million.
(8)Guaranty is limited to $96.0 million.

Appendix B

FPL Energy National Wind, LLC

PPA Overview

Project	Counterparties	Term (Years)	Start Date	Delivery Obligation	Pricing	Minimum Generation Requirements	Curtailment/Transmission	Events of Default	Early Termination
Vansycle	Portland General Electric Company	30	11/06/98	100%	$49.81/MWh (2004) CPI adjusted		- PGE bears the risk of transmission outages, subject to certain exceptions. - PGE is responsible for arranging transmission on the first 24.8 mw of energy produced.	- Customary - A failure to operate for 18 consecutive months or 24 consecutive months in case of Force Majeure	
Wyoming	PPM Energy, Inc., guaranteed by PacifiCorp Holdings, Inc.	25	12/19/2003	100%	- Year 1:$32.50/MWh; - Year 2-10: given year's schedule contract rate plus given year's adjustment amount based on capacity factor - Year 11-25: given year's schedule contract rate plus end of year 10 adjustment amount based on capacity factor	Guaranteed mechanical availability: - Year 2-3: 93% - Year 4: 94% - Year 5-20: 95% - Year 21-23: 94% - Year 24-25: 93% If guaranteed availability not met, liquidated damages equal to shortfall times cost to cover - Failure of Wyoming to meet mechanical availability percentage: Wyoming obligated to pay PPM liquidated damages based on PPM's cost to cover and on the actual output of the Wyoming Project (not to exceed aggregate cap that starts at $9.6M and increases to approximately $15.6M by the end of the PPA's term)	- PPM bears the risk of transmission outages, subject to certain exceptions. - If transmission is curtailed, PPM is obliged to make full energy payment and to compensate applicable PTC credits foregone, except in case of force majeure	- Customary - A failure to pay any amount for more than 10 days - Mechanical availability below 50% for any 2 consecutive years	After the 15th year, termination by Purchaser for convenience subject to termination fee schedule
North Dakota	Basin Electric Power Cooperative	25	10/01/03	100% up to 40 MW each hour	$18.37/MWh escalated alternately by $0.32/MWh or $0.33/MWh up to $26.17/MWh in 2028	- Failure to deliver energy: North Dakota I must pay difference between replacement energy and energy due under the PPA	- Basin Electric bears the risk of transmission outages, subject to certain exceptions. - If transmission is curtailed as ordered by the transmission provider, Basin Electric has no obligation to pay for energy. - If transmission is curtailed due to a force majeure event, Basin Electric is obliged to pay as follows: (a) no payment during the first 10 days; (2) 100% of amounts due during the next 10 days; (3) 50% of all amounts due thereafter.	- A failure to pay any amount for more than 10 days - Any default with material adverse impact on non-defaulting party if not cured in 30 days.	

FPL Energy National Wind, LLC

Project	Counterparties	Term (Years)	Start Date	Delivery Obligation	Pricing	Minimum Generation Requirements	Curtailment/Transmission	Events of Default	Early Termination
North Dakota	Otter Tail Power Company	25	10/1/2003	100%	- $29.90/MWh - Adjusted up or down up to $0.01/MWh for each $50,000 due to Collector System Agreement changes - Increases in taxes to be shared equally by both parties by adjusting the price	- Failure to deliver energy: North Dakota II must pay difference between replacement energy and energy due under the PPA	- Otter Tail bears the risk of transmission outages, subject to certain exceptions. - Otter Tail has no obligation to pay for energy if the transmission provider orders the curtailment	- Customary - A failure to pay any amount for more than 10 days.	
South Dakota	Basin Electric Power Cooperative	25	10/1/2003	100% up to 40 MW each hour	$20.50/MWh escalated by $0.31/MWh or $0.32/MWh, up to $28.00/MWh in 2028	- Failure to deliver energy: South Dakota must pay difference between replacement energy and energy due under the PPA	- Basin Electric bears the risk of transmission outages, subject to certain exceptions. - Basin Electric has no obligation to pay for energy if the transmission provider orders the curtailment	- A failure to pay any amount for more than 10 days - Any default with material adverse impact on non-defaulting party if not cured in 30 days	
Oklahoma	Oklahoma Municipal Power Authority	25	12/31/2003	100%	- For first 5 years: On-Peak Hours: $23.60/MWh; Off-Peak Hours: $12.00/MWh. - For remainder of the term: On-Peak Hours: the greater of $23.60/MWh or 90% of avoided costs, not to exceed $28.00/MWh; Off-Peak Hours: $12.00/MWh	- Failure to deliver energy: Oklahoma Project Owner must pay OMPA the positive difference between the amount OMPA pays for replacement energy and the amount OMPA would have paid to the Oklahoma Project Owner under the PPA.	- OMPA bears the risk of transmission outages, subject to certain exceptions. - OMPA has no obligation to pay for energy if the transmission provider orders the curtailment	- Customary - A failure to pay any amount for more than 10 days. - Dispute are limited	Limited early termination rights upon default by seller
Sooner Wind	Oklahoma Gas and Electric Company	15	9/26/2003	100% up to 50,000 KWh/hr	- 0 to 50 MWh: $24.68/MWh - > 50 MWh: $0 or zero cost - $18.51/MWh below minimum delivery (125 MWh) and tracking acount is empty	- No Minimum Generation Requirements but price falls to $18.51/MWh when delivery falls to 125 MWh/year and tracking account is empty	- OGE bears the risk of transmission outages, subject to certain exceptions. - OGE has no obligation to pay for energy if the transmission provider orders the curtailment	- Customary - A failure to pay any undisputed amount for more than 15 days	If commercial availability is 75% or less each contract year for two consecutive years; If termination occurs because of shortfall availability, each party excused from obligations except accrued obligations
Meyersdale	FirstEnergy Solutions Corp. (guaranteed by FirstEnergy Corp for up to $1.85 min)	20	12/14/2003	- 80% of 94,000 MWh annually - On 5 year average basis, 90% of 94,000 MWh	$39.60/MWh actually delivered	- 75,200 MWh per year or $10/MWh of shortfall, not to exceed $50,000 per contract year - Every 5 years, $12/MWh of 5-year average shortfall, not to exceed $200,000 per each 5-year - 5-year average penalty prevails	- First Energy bears the risk of transmission outages, subject to certain exceptions.	- Customary - A failure to pay any undisputed amount for more than 10 days	

FPL Energy National Wind, LLC

Project	Counterparties	Term (Years)	Start Date	Delivery Obligation	Pricing	Minimum Generation Requirements	Curtailment/Transmission	Events of Default	Early Termination
Mountaineer	Exelon Generation Company, LLC	20	12/20/2002	- 80% of 198,000 MWh annually - on 5 year average basis, 90% of 198,000 MWh	As per schedule	- 158,400 MWh per year or $10/MWh of shortfall, not to exceed $150,000 per contract year - Every 5 years, $12/MWh of 5-year average shortfall, not to exceed $450,000 per each 5-year - 5-year average penalty prevails	- Exelon bears the risk of transmission outages, subject to certain exceptions.	- Customary - A failure to pay any undisputed amount for more than 10 days	If Force Majeure continues uninterrupted for more than 24 months from the terminating party's notice; If electrical output falls below 50% of 198,000 MWh for three consecutive years
Waymart	Exelon Generation Company, LLC	20	10/31/2003	100%	2003: $36.29/MWh escalating at approximately 3%	- 80% of annual output guaranteed or schedule price of the following year reduced by the shortfall percentage - 85% of average 5 year output guaranteed or schedule price of the following year reduced by the shortfall percentage - 5-year average penalty prevails	- Exelon bears the risk of transmission outages, subject to certain exceptions.	- Customary - A failure to pay any amount for more than 10 days	If electrical output falls below 50% of the annual output guaranteed for 5 consecutive years; If Force Majeure event lasts more than 24 months

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